

To the Members of the California State Assembly:

I am returning Assembly Bill 2944 without my signature.

This bill would permit corporate directors to consider a variety of new factors other than strictly financial return when making business decisions on behalf of a corporation, including decisions relating to the acquisition or control of a corporation.

While this bill proposes a new model of corporate governance consisting of a package of many intriguing concepts, it is just that; a package of concepts that could produce unknown ramifications and the need for which have not been fully demonstrated. Corporate governance is a serious matter and changes should not be entered into without deliberate study and evaluation.

While I have concerns with the approach taken with this bill, I am interested in many of the issues raised in support of this measure. California should be at the forefront of all states in considering alternative models of corporate governance for the new millennium. This is potentially another opportunity for California to once again lead to a new era of innovation. I urge the Legislature to consider and study new styles of corporate governance that can offer alternatives to the current model, but that maintain the vital shareholder protections that have helped turn California into the economic powerhouse of the world.

For these reasons, I am unable to sign this bill.

Sincerely,

Arnold Schwarzenegger